DEPARTMENT OF AGRICULTURE

Rural Utilities Service

Notice of Availability of a Programmatic Environmental Assessment

AGENCY: Rural Utilities Service, USDA

ACTION: Notice of Availability of a Programmatic Environmental Assessment

SUMMARY: Notice is hereby given that the Rural Utilities Service (RUS), has prepared a programmatic level analysis of certain environmental effects of combustion turbines utilized for electric utility applications and offers guidance on §1794.15 of its Environmental Policies and Procedures (7 CFR Part 1794).

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SUPPLEMENTARY INFORMATION: This programmatic analysis, in accordance with the National Environmental Policy Act (NEPA), is designed to reconcile RUS procedural requirements for environmental analysis with the emerging needs of a deregulating electric utility industry. Increasing demand for electricity combined with a lack of new generation and retirement of obsolete plants has produced acute shortages and price spikes in some areas of the country.

To better manage power supply needs and to prudently hedge their exposure to power market risks, RUS generation and transmission (G&T) borrowers and others have turned to combustion turbine

(CT) technology. Technological advances during the 1990s produced significant improvements to economic and operational efficiencies of CTs. Nearly 90 percent of new electricity generating capacity between 1997 and 2020 is projected to be combustion turbine technology fueled by natural gas or both oil and gas.

In contrast to base load generating plants, construction and installation of CT plants typically have much shorter lead times (18-36 months) and generally cost much less. Rather than being custom constructed on site, CTs are assembled in a factory, delivered to the site substantially complete, and then are installed. CTs are not designed to be operated continuously, but rather, to meet peak load requirements. Thus, CT emissions are more infrequent and generally lower than base load facilities that are designed to run continuously.

Unlike custom built generating resources, CTs are "off-the-shelf" products that are essentially identical in the details of acquisition, installation and operation at any given power rating. These common characteristics lend themselves to a common, i.e., programmatic assessment of many of the environmental effects associated with such power plants. These common characteristics and range of sizes also make it easier for power suppliers to match their needs more closely as CT modules can be added incrementally. The environmental effects of the installation of a CT on a particular site are, of course, site specific and often unique. The evaluation and resolution of those issues often determine the ultimate siting of the CT.

It is common for a power supplier to order a CT and make progress payments during its fabrication long before the site for the CT has been selected or even identified. This is partially explained by the fact that power suppliers often have alternative sites on which to install the CT in the event that an environmental review process for the preferred site leads to a different outcome. In the unlikely event that a power supplier is unable to find any suitable site for a CT that it has ordered, it may assign or otherwise liquidate its position rather than incur significant losses. By proceeding with the siting process in parallel with the fabrication of the unit, the power supplier is able to address the growing needs for an adequate and reliable supply of electricity on a more timely basis than if the power supplier proceeded sequentially.

In order to assure a reliable and affordable power supply for rural America, RUS plans to advance funds to make progress payments on an otherwise eligible CT project while the site selection process for that CT project is pending. Any funds being requested for site development work or installation of the CT would, if approved, be conditioned upon the borrower meeting all other environmental requirements, including completion of a RUS site specific environmental review. RUS will not advance any funds for the site development or installation of any CT unless and until RUS has completed its environmental analysis of the specific site and determined that such site is acceptable.

Except for site specific issues, CTs present a set of common environmental issues. CTs use similar technology, have similar environmental impacts, have the same alternatives and otherwise raise the same environmental review questions. Except for site-specific issues, RUS has found performing individual environmental reviews for each CT is needlessly redundant and does not contribute to better

environmental decisionmaking. Therefore, RUS plans to address environmental issues common to all CTs in this programmatic level analysis. RUS will perform site-specific environmental review and analyses on each proposed CT when presented with proposed siting alternatives. This tiered approach is practicable, reduces paperwork and delay and fosters better decision making (See 7 CFR 1794.16).

Along with programmatic level environmental analysis, this document offers guidance to RUS borrowers on the scope of actions permissible under 7 CFR 1794.15 that they may take pending completion by RUS of the second analytical tier, i.e., the site specific environmental analysis.

This analysis finds that considering the similar characteristics of most CTs and the limited reliable and affordable alternatives presently available for addressing rural America's needs for peaking supplies of electricity, RUS should tier its environmental analysis of CTs because it is practicable, reduces paperwork and delay, and produces better decision making. This programmatic analysis considers common characteristics and alternatives. RUS intends to consider on a case-by-case basis as they arise, whether the installation or operation of any particular CT on its proposed site will result in any significant environmental impacts. In making such individual determinations, RUS will consider the findings and requirements of other governmental entities having jurisdiction over the siting, development and operation of the CT and reserves the right to update this programmatic analysis to take additional information into account or develop particular elements of the analysis more fully as may be warranted in individual circumstances. Ordinarily, however, the analysis contained in this document will be incorporated either in its entirety or in part by reference in any further RUS analysis of particular CT projects.

In determining which loan applicant activities may proceed in connection with CTs before RUS completes the second tier of its environmental review, RUS has determined that 7 CFR 1794.15 permits an applicant to take all appropriate actions necessary to assure timely acquisition of CTs. Generally, during this period, applicants will take actions that do not have an adverse impact and do not preclude the search for alternatives, e.g., site acquisition, executing a purchase contract for a CT, making manufacturer's progress payments, and site planning and design. As contrasted with site development or project construction, which may have adverse environmental consequences, these purchase, planning and design activities clearly do not. Nor do the expenditures for these permissible activities preclude the search for alternatives. CTs are fungible, in limited supply, and have a broad worldwide market. In the unlikely event that an applicant can find no environmentally suitable site on which to locate a CT or otherwise changes its plans, commercially reasonable alternatives exist to effectively "unwind" the transaction in the case of a CT that has not yet been installed.

RUS believes that in the event that the proposed CT project is not approved by the Administrator, the amount of unrecoverable losses which an applicant would consequently absorb would not jeopardize the Government's security interest in existing assets or otherwise compromise the objectivity of RUS review. In such an eventuality, RUS expects that even in a worse case scenario the applicant would incur only a modest cancellation charge as the manufacturer could reasonably be expected to sell the CT to another purchaser for a similar price. Given the current demand for CTs, at least for some time to come, it appears that a proactive applicant may be able to assign its purchase

rights or otherwise transfer its rights in the CT to a third party and completely avoid losses. Accordingly, these pre-installation expenditures will not compromise RUS objectivity.

In a deregulated electricity market, failure to take prudent steps to acquire reasonably priced, reliable power supply resources in a timely manner exposes RUS borrowers, Rural Electrification Act (RE Act) beneficiaries, and RUS to unacceptably high levels of market risk and thereby frustrates the objectives of the RE Act. This tiered analysis and regulation interpretation is fully consistent with NEPA and eliminates unnecessary procedural delays, costs and risks.

This programmatic environmental assessment can be reviewed at the headquarters of RUS at the address provided above. The document is also available for public inspection on the RUS website at: www.usda.gov/rus/water/ees/ea.htm.

Questions and comments should be sent to RUS at the address provided. RUS will accept questions and comments on its proposed action for at least 30 days from the date of publication of this notice. RUS will take no final action related to this proposal until after notification of that action is published in the Federal Register.

Dated: December 1, 2000

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Acting Director

Engineering and Environmental Staff